GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2225
ANSWERED ON:06.05.2016
Fungibility of Foreign Investments
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has allowed full fungibility in foreign investments;
(b) if so, the details and the benefits thereof;
(c) the extent to which this would help catalyse capital raising options for private banks;
(d) whether the Government has assessed its impact on performance and resources of public sector banks;
(e) if so, the details and the outcome thereof; and
(f) the steps taken to ensure adequate funds for public sector banks?

Answer

Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)
(a) to (c) Yes Sir. In order to provide simplicity to the Foreign Direct Investment (FDI) policy and bring clarity on application of conditionalities and approval requirement across various sectors, different kinds of foreign investments have been made fungible under one composite cap through the Press Note 8 of 2015 dated 30th July, 2015, available at www.dipp.nic.in.Government has also introduced full fungibility of foreign investment in Banking-Private Sector through Press Note 12 of 2015 dated 24th November, 2015 which is available on the website of DIPP at www.dipp.nic.in? Acts and Rules ? Press Notes/FDI Circular. Accordingly, different categories of institutional investors can now invest in private sector banks upto the sectoral limit of 74%, provided that there is no change of control and management.
(d) and (e) There has been no change in the policy on foreign investment in public sector banks.
(f) A detailed action plan for ensuring funds for public sector banks is laid out under the IndradhanushPlan for revamping Public Sector Banks (PSBs), the details of which are available at the website of Department of Financial Services (DFS) i.e., http://financialservices.gov.in/PressnoteIndardhanush.pdf. Accordingly, a budgetary provision of Rs. 25,000 crores has been made in the BE 2016-17.